FEDERAL CIRCUIT

McRO, Inc. v. Bandai Namco Games America Inc.

On September 13, 2016, the United States Court of Appeals for the Federal Circuit ("Federal Circuit") held in the case of *McRo, Inc. v. Bandai Namco Games America Inc.*, that "the ordered combination of claimed steps, using unconventional rules that relate sub-sequences of phonemes, timings, and morph weight sets, is not directed to an abstract idea and is therefore patent-eligible subject matter." The Federal Circuit focused its analysis of the *Alice* test on the second step, looking for (1) specific limitations that help avoid preemption and (2) more than merely automation of existing human activity.

In the U.S. District Court for the Central District of California ("District Court"), Bandai Namco Games America ("Bandai") argued that the claims of U.S. Patents Nos. 6,307,576 ("'576") and 6,611,278 ("'278") were directed towards patent-ineligible subject matter. The patents were directed to methods for automatically animating lip synchronization and facial expressions of animated characters. Patent '278 was a continuation of the patent '576. In the prior art, artists would have to individually adjust facial expressions in animation.

The District Court found Bandai's argument that the claims were "algorithms that can be performed solely with pencil and paper" and that they used a general-purpose computer to automate a preexisting process, persuasive. The District Court held that the asserted claims were directed to patent-ineligible subject matter and were therefore invalid under 35 U.S.C. § 101.

The Federal Circuit began its analysis of the case by first determining if the claim at issue was directed toward an abstract idea. Although the District Court found that the claims were directed toward patent-ineligible subject matter, the Federal Circuit rejected this notion citing *Mayo Collaborative Servs. v. Prometheus Labs. Inc.*, "all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas." Additionally, the Federal Circuit cautioned lower courts to "be careful to avoid oversimplifying the claims by looking at them generally and failing to account for the specific requirements of the claims."

The Federal Circuit continued its analysis by discussing the exceptions of § 101, laws of nature, natural phenomena, or abstract ideas, saying, "While the results may not be tangible, there is nothing that requires a method be tied to a machine or transform an article to be patentable." The Federal Circuit said that the underlying concern with the exceptions to § 101 was preemption and not intangible. The Federal Circuit wants to prevent the preemption of a broad area of technology by the patenting of an abstract idea, law of nature, or natural phenomena. However, the Federal Circuit was careful to say that the absence of preemption does not mean patent eligibility. Looking at the claims as a whole and with a lens of preemption, the Federal Circuit said, "The limitations in claim 1 prevent preemption of all processes for achieving automated lip-synchronization of 3-D characters."

If a patent is not directed towards an abstract idea, natural phenomena, the inquiry ends. If the claims are directed to an abstract idea, then the inquiry proceeds to the second step of the *Alice* test. The second step which involves determining whether the claim contains an "inventive concept," should also look for specific limitations to avoid preemption. Additionally, the *Alice* test should analyze the claim as a whole and individual claim elements.